
ACTUARIAL OPINION



LOSS AND LOSS ADJUSTMENT EXPENSE RESERVE OPINION UNITED FINANCIAL CASUALTY COMPANY

IDENTIFICATION

I, Allan R. Neis, am a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries meeting its qualification standards. I am an employee of Progressive Resource Services Company, an affiliated company of United Financial Casualty Company. I was appointed by the Board of Directors on December 15, 1995 to render this opinion.

SCOPE

I have examined the actuarial assumptions and methods used in determining reserves listed in Exhibit A, as shown in the Annual Statement of the Company prepared for filing with state regulatory officials, as of December 31, 2008.

The items in Exhibit A on which I am expressing an opinion reflect the Loss Reserve Disclosure items (8 thru 13) in Exhibit B.

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by myself, the Corporate Actuary of the Company or group to which it belongs, and my staff. The Company assumes 90% of the business written by two affiliates. I evaluated that data for reasonableness and consistency. I also reconciled that data to Schedule P - Part 1 of the Company's current Annual Statement. In other respects, my examination included such review of the actuarial assumptions and methods used and such tests of the calculations as I considered necessary. These methods included, but were not limited to, age-to-age loss development factor analysis of paid and incurred loss counts and dollars. These methods did not differ materially from prior years' analyses. The reserve values are not discounted for the time value of money and are stated net of anticipated future salvage and subrogation recoveries.

OPINION

In my opinion, the amounts carried in Exhibit A on account of the items identified:

- (i) meet the requirements of the insurance laws of Ohio.
- (ii) are computed in accordance with accepted loss reserving standards and principles.
- (iii) make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss expenses, it is necessary to project future loss and loss adjustment expense payments. It is certain that actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Company's historical database or which are not yet quantifiable.

RELEVANT COMMENTS

I defined a Material Adverse Deviation (MAD) to be one that has a probability of 1% or less. With this definition I calculated the MAD to be 32.2% of the Company's net surplus. This amount is approximately 14.5% of the carried net unpaid loss and loss adjustment expense (LAE) reserves, 1 and 2 in Exhibit A, or \$113 million (Line 5, Exhibit B). I do not know of any significant risks that could result in a material adverse deviation.

The relation of the materiality standard to the Company's net surplus, 32.2%, is included due to the fact that this opinion is prepared for the regulatory review of the Company.

The Company's total adjusted capital is more than 5.4 times the authorized control level Risk Based Capital. If a \$113 million adverse reserve impact took place, the adjusted capital would still be well over the Company Action Level.

I have reviewed the solvency and financial stability of all reinsurers. The Company has no uncollectible reinsurance amounts. The Company has no loss portfolio transfers, retrospective reinsurance or financial reinsurance, and I expect no material effects on reserve development from reinsurance.

The Company participates in some involuntary pooling arrangements, primarily state Commercial Automobile Insurance Procedures/Plans (CAIP), Joint Underwriting Association (JUA) and assigned risk plans. The Company's practice is to independently review the projected ultimate cost of each pool and establish a liability for its portion of the ultimate operating cost based on its written premium to date. The total of these accruals is less than 0.21% of the Company's surplus, which is immaterial. The Company writes no policies or contracts related to single or fixed premium policies with coverage periods of thirteen months or greater which are non-cancelable and not subject to premium increase. These reserve amounts will cause no exceptional values in the NAIC IRIS tests of reserve development.

The Company shows no unusual values for any reserve related NAIC IRIS tests.

I have reviewed the Company's exposure to terrorist attack losses. No claims have been presented to date. The risk of significant liabilities arising from terrorist attack losses is remote, given the nature of the coverage provided.

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, will be provided to the Company to be retained for a period of seven years in the administrative offices of the Company and available for regulatory examination.

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LOSS AND LOSS ADJUSTMENT EXPENSE RESERVE OPINION
UNITED FINANCIAL CASUALTY COMPANY

This Statement of Actuarial Opinion is solely for the use of, and only to be relied upon by, the Company and the appropriate state regulatory authority.

Allan R. Neis, FCAS, MAAA
6300 Wilson Mills Road
Mayfield Village, Ohio 44143-2182
(440) 461-5000
February 18, 2009

Exhibit A: SCOPE

Loss Reserves:	Amount
1. Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col 1, Line 1)	\$ 646,920,974
2. Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col 1, Line 3)	\$ 134,204,059
3. Reserve for Unpaid Losses - Direct and Assumed (Schedule P, Part 1 Summary, Totals from Cols. 13 and 15 * 1000)	\$ 646,929,000
4. Reserve for Unpaid Loss Adjustment Expenses - Direct and Assumed (Schedule P, Part 1 Summary, Totals from Cols. 17, 19 and 21 * 1000)	\$ 134,209,000
5. The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	N/A
6. Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	N/A
Premium Reserves:	
7. Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$ 0
8. Reserve for Net Unearned Premiums for Long Duration Contracts	\$ 0
9. Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	N/A

Exhibit B: DISCLOSURES

	Amount
1. Name of the appointed actuary	Allan R. Neis
2. The appointed actuary's relationship to the company E if an Employee C if a Consultant	E
3. The appointed actuary is a qualified actuary based on what qualification? F if a Fellow of the Casualty Actuarial Society (FCAS) A if an Associate of the Casualty Actuarial Society (ACAS) M if not a member of the Casualty Actuarial Society, but a member of the American Academy Of Actuaries	F
4. Type of opinion, as identified in the opinion paragraph R if Reasonable I if Inadequate or Deficient Provision E if Excessive or Redundant Provision Q if Qualified N if No Opinion	R
5. Materiality Standard expressed in US dollars	\$ 112,986,580
6. Is there a significant risk of material adverse deviation?	No
7. Statutory Surplus (Liabilities, Col 1, Line 35)	\$ 351,140,727
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P (Schedule P, Part 1 Summary, Col 23, Line 12 * 1000)	\$ 35,439,000
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P 9.1 Nontabular Discount [Notes, Lines 31B23, (Amount 1,2,3, & 4)], Electronic Filing Cols 7, 8, 9, & 10 9.2 Tabular Discount [Notes, Lines 31A23, (Amount 1,2,3, & 4)], Electronic Filing Cols 7 & 8	\$ 0 \$ 0
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	\$ 733,507
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. 11.1 Asbestos, as disclosed in the Notes to Financial Statements (Notes, Line 32A03D, ending asbestos reserves for current year), Electronic Filing Col 11 11.2 Environmental, as disclosed in the Notes to Financial Statements (Notes, Line 32D03D, ending net environmental reserves for current year), Electronic Filing Col 11	\$ 0 \$ 0
12. The total claims made extended loss and expense reserve (Schedule P Interrogatories). 12.1 amount reported as loss reserves 12.2 amount reported as unearned premium reserves	\$ 0 \$ 0
13. Other items on which the Appointed Actuary is providing Relevant Comment (list separately)	N/A

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